

PROGRESS UPDATE
Report by Graham Herbert, Internal Audit Manager
1. Purpose of Report

The purpose of this report is to provide members of the Audit Committee with:

- a summary of the work undertaken by Internal Audit since April 2015; and
- an update on progress with the current audit plan which was approved by the Audit Committee on 17 March 2015.

2. Detail

The Internal Audit Section has completed the following tasks since April 2015:

Task	Description	Reported to
Annual Governance Statement	Testing a total of 18 of the 54 elements of the Code of Corporate Governance to determine whether these were operating as described. Conclusions were included within the Annual Governance Statement.	Reported to the 5 May Audit Committee.
Statement on Internal Control	An opinion on the internal control environment of the Council by the Internal Audit Manager. This statement was also used to inform the Annual Governance Statement.	Reported to the 5 May Audit Committee.
Public Sector Internal Audit Standards.	Assessment of Internal Audit against the Public Sector Internal Audit Standards.	Reported to the 5 May Audit Committee.
National Fraud Initiative	An update on the results of the data matching exercise to identify circumstances	Reported to the 5 May Audit Committee and the 8 December Audit

	(matches) that might suggest the existence of fraud or error.	Committee.
Cashless Catering	Assessment of the adequacy of controls operating over the Cashless Catering system and whether these controls were consistently applied across sites.	Reported to 5 May Audit Committee.
Internal Audit Charter	Review and update of the Internal Audit Charter.	Reported to 5 May Audit Committee.
Follow up of Recommendations	A review of a sample of recommendations that have been signed off as complete to determine whether they had been implemented satisfactorily.	Reported to 16 June Audit Committee.
Assessment of the Audit Committee	Assessment of the Audit Committee against the Audit Committee Combined Code (2008) and the 2013 Chartered Institute of Public Finance Accountancy (CIPFA) document "Practical Guidance for Local Authorities- Audit Committees".	Reported to 16 June Audit Committee.
Integration of Health and Social Care	This Audit included a review of governance, the proposed allocated budget from Midlothian Council to the Integrated Joint Board, risk registers and project plans.	Reported to 16 June Audit Committee.
Construction Industry Scheme	A review of the controls operating over the Construction Industry Scheme.	Reported to 29 September Audit Committee.
Payroll	To assess the adequacy of the control environment of the Council's payroll arrangements.	Reported to 29 September Audit Committee.
Internal Audit Recommendations	Council performance in closing Internal Audit issues by the	Reported to the 8 December 2015 Audit Committee.

	expected date.	
Commercial Rents	A review of the controls operating over the renting of Council owned commercial property.	Reported to the 8 December 2015 Audit Committee.
House Rents	To review the controls operating over the House Rent System.	Reported to the 8 December 2015 Audit Committee.
Co-ordinated the submission of Audit Scotland National Reports	These are to date: <ul style="list-style-type: none"> • Overview of Local Government 2015; • Scotland's Public Finances; • School Education; • Procurement; • Audit Scotland borrowing Treasury Management in councils; and • Community Planning 	Reported to Audit Committees during the period April to December 2015.
Investigations / consultancies	Support in 4 investigations and 2 consultancy engagements.	N/A
Help Desk	Between the periods of April 2015 to October 2015 Internal Audit has received a total of 26 help desk enquiries.	N/A

The following areas are work in progress:

Task	Description	Progress
Developer Contributions	To review the controls in place over Developer Contributions.	At reporting stage.
Devolved school budgets	To review the processes and controls designed to allow the locally Devolved School Management Scheme to be consistent with the principles laid out in national guidelines	End of field work.
Early Years	To review the provision of external nursery provision.	End of field work
Tendering of	To review the process	End of field work

Contracts	and controls over the tendering of supplier contracts and, for a sample of contracts, to review the level of compliance against the established processes.	
Public Private Partnership Agreements	To review the controls in place over the utilisation of assets held under PPP contracts to ensure best value for the Council.	Planning stage.
Self Directed Support	To review the controls operating over the Social Care (Self-Directed Support) (Scotland) Act 2013 (the Act) which allows users of social services more choice on how to access the service.	Planning stage.
Financial Strategy and Business Transformation	To review the controls designed to allow delivery of the financial strategy and to follow up on the recommendations made in the 2014/15 Business Transformation Internal Audit review.	Planning stage.
Fraud and Corruption Policy	Update of Fraud and Corruption Policy.	At draft stage.
Whistle blowing policy.	Update of Whistle blowing policy.	At draft stage.
Council tax discounts and exemptions	Reviews to identify potential fraudulent applications.	Field work stage.
Audit Committee Integrated Joint Board	Draft SLA / Audit Plan produced	At draft stage

The following Audits from the 2015/16 have not yet commenced:

Task	Description
Welfare Reform	To review the processes and controls put in place to deliver the new Universal Credit payments (which commence on a phased basis from April 2015).
Internal quality assurance of Care at	To review the quality assurance process established by the Council to monitor the

Home Providers	quality of service provided on home care by third party providers.
Purchase Cards and Petty Cash	To follow up on the Audit Report on Petty Cash (completed in March 2015) and to review the controls operating over purchase cards.
Stores	A review of the processes and controls operating over items held in stores.
Business Continuity and civil contingencies	To test the Council's approach to business continuity and the level of compliance against the Civil contingencies legislation.

Impact of the Integration Joint Board

The Joint Integrated Board for Health and Social Care at their meeting on 20 August 2015 recommended and approved that the Internal Audit Manager of Midlothian Council should also be appointed as the Chief Internal Auditor for the Integrated Joint Board. Whilst some resource was set aside for supporting the Integrated Joint Board in the 2015/16 Internal Audit Plan this was not sufficient in relation to the proposed additional allocated responsibilities. This has been estimated at an extra 65 days.

Internal Audit will endeavour to limit the impact of these added responsibilities on the Midlothian Council's Internal Audit Plan and the Audit Committee will be advised if this will lead to a reduction in the number of planned audits.

The following is a list of the additional audits that are planned to be undertaken for the Integrated Joint Board in 2015/16. This plan has not yet been submitted to and approved by the Integrated Joint Board but a paper is being presented to the Board on 10 December 2015.

Task	Proposed Addition
Health and Social Care Audit	A review of: <ul style="list-style-type: none"> the Strategic plan and planning process; the financial plan underpinning the strategic plan; and a review of the financial assurance process undertaken .
Health and Social Care Audit - Planning	Development of a 2015/16 and 2016/17 Internal Audit Plan.
Health and Social Care Audit - Governance	A number of governance related tasks will need to be undertaken to support the Integrated Joint Board Audit and Risk Committee: <ul style="list-style-type: none"> an annual review of the Code of Corporate Governance; a review of 2015/16 Annual Governance Statement; Internal Audit Managers assessment of internal control;

	<ul style="list-style-type: none"> • development of a service level agreement between the Integrated Joint Board, Midlothian Internal Audit Section and NHS Lothian Internal Audit Section; and • other support for the Integrated Joint Board Audit and Risk Committee (for example self assessment against best practice codes).
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3. Report Implications

3.1 Resource

The Internal Audit Section currently has an experienced member of the team off on maternity leave, has recently been allocated responsibility for corporate fraud team and the management of the National Fraud Initiative and is also now to head up the Audit Service for the Integrated Joint Board.

The Internal Audit Manager will continue to monitor progress against the plan and the impact of these factors on delivery of that plan.

3.2 Risk

There is always a residual risk that investigations and consultancy could overtake risk based reviews and compliance checks on the main financial systems. This risk is being controlled through the introduction of an investigation / consultancy protocol.

Each internal audit assignment examines the control of risk and the perception of risk that the auditee has. 'Risk' is central to each internal audit report. This strengthens the Council's approach to risk management and the internal control system.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Community safety
- Adult health, care and housing
- Getting it right for every Midlothian child
- Improving opportunities in Midlothian
- Sustainable growth
- Business transformation and Best Value
- None of the above

3.4 Impact on Performance and Outcomes

It is projected that there will be sufficient audits completed to allow the Internal Audit Manager to undertake an assessment of the strength of the internal controls operating within the Council.

3.5 Adopting a Preventative Approach

This report addresses the Council's policy to have a robust internal control environment, management of risk and effective governance.

3.6 Involving Communities and Other Stakeholders

The Internal Audit Plan has been discussed with the Chief Executive, the Corporate Management Team and the Audit Committee (which includes representation from External Audit).

3.7 Ensuring Equalities

For the internal audits completed to date, we found no equalities issues to report on.

3.8 Supporting Sustainable Development

Internal Audit provides an independent assurance function which assists the sustainability of the Council's internal control system, governance and management of risk.

3.9 IT Issues

There are no IT issues as a result of this report.

4. Recommendations

The Audit Committee is requested to:

- (1) note the work completed by the Internal Audit Section since April 2015;
- (2) note progress with the current plan; and
- (3) note that the Internal Audit Manager will update the Audit Committee if there is impact on delivery of the Internal Audit Plan through additional requirements of supporting the Integrated Joint Board.

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